

BEFORE THE
SOUTH CAROLINA DEPARTMENT INSURANCE

In the Matter of:)	Docket No. 2008-05
)	
The Proposed Acquisition of Unison Health Plan of)	
South Carolina, Inc. a South Carolina domestic)	Decision and Order
HMO and subsidiary of Three Rivers Holdings, Inc.)	
a Delaware corporation and UnitedHealth Group)	
Inc., a Minnesota corporation through its wholly-)	
owned subsidiary AmeriChoice Corporation)	
_____)	

This matter comes before me pursuant to the Form “A” Statement regarding the Acquisition of Control of or Merger with a Domestic HMO (“the Form A”) filed by UnitedHealth Group Inc. (the “Applicant”), in accordance with South Carolina’s Insurance Holding Company Regulatory Act. See S.C. Code Ann. § 38-21-70 and 25A S.C. Code Ann. Reg. 69-14. South Carolina law requires the approval of the Director of Insurance or his designee of any merger or acquisition of control of a South Carolina domestic HMO unless after a public hearing he finds that one of the conditions set forth in S.C. Code Ann. § 38-21-90 exists.

STATEMENT OF THE CASE

The Form A dated January 22, 2008 and the Stock Purchase Agreement dated January 7, 2008 provided notice of the Applicant’s intent to acquire control of Unison Health Plan of South Carolina, Inc. (“Unison”), a South Carolina domestic HMO. The Applicant proposes to acquire through AmeriChoice Corporation all of the issued and outstanding shares of voting securities of Three Rivers Holdings, Inc., the parent company of Unison for approximately \$850,000,000.

STATUTORY STANDARD OF REVIEW

S.C. Code Ann. § 38-21-10(2) of the South Carolina Code creates a presumption of control whenever an acquiring entity would directly or indirectly own ten percent or more of the voting securities of a regulated entity. S.C. Code Ann. § 38-21-60 prohibits any person from acquiring control of a domestic HMO without first having filed information required pursuant to the Insurance Holding Company Regulatory Act and having obtained approval for that acquisition from the Director of Insurance or his designee under S.C. Code Ann. § 38-21-90.

S.C. Code Ann. § 38-21-90 specifically requires the approval of the proposed acquisition of control of a South Carolina domestic HMO unless the Director of Insurance or his designee determines, after a public hearing, that:

- (1) After the change of control the domestic HMO is not able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is currently licensed;
- (2) The effect of the merger or other acquisition of control would substantially lessen competition in insurance in this State or tend to create a monopoly. In applying the competitive standard in this provision:
 - (a) The information requirements and standards of Section 38-21-125(C) and (D) apply;
 - (b) The merger or other acquisition must not be approved if the Director or his designee finds that at least one of the situations in Section 38-21-125(D) exists; and

- (c) The Director or his designee may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time.
- (3) The financial condition of the acquiring party might jeopardize the financial stability of the HMO or prejudice the interest of its policyholders.
- (4) The plans or proposals which the acquiring party has to liquidate the HMO, sell its assets, or consolidate or merge it with a person or to make another material change in its business or corporate structure or management are unfair and unreasonable to the HMO's policyholders and not in the public interest.
- (5) The competence, experience, and integrity of those persons who would control the operation of the HMO are such that it is not in the interest of policyholders of the HMO and of the public to permit the merger or other acquisition of control.
- (6) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Therefore, the Applicant must prove by a preponderance of the evidence that those factors do not exist.

FINDINGS OF FACT

Having considered the Form A, the Stock Purchase Agreement, and the financial statements of the Applicant, I find, by a preponderance of the evidence, the following as to the requested approval of the acquisition of Unison:

1. A Form A application was filed with the Department on or about January 23, 2008. The application complies with the requirements of S.C. Code Ann. § 38-21-70.

2. Unison is a South Carolina domestic HMO.

3. The Applicant is a holding company, incorporated in Minnesota, which owns several subsidiaries engaged in the health insurance business. AmeriChoice Corporation is a Delaware corporation and a wholly owned subsidiary of the Applicant. The contemplated transaction (“Acquisition”) is among UnitedHealth Group Inc., AmeriChoice Corporation, a Delaware corporation and direct wholly-owned subsidiary of UnitedHealth Group Inc. and Three Rivers Holdings, Inc., and involves the acquisition of control of Unison, a subsidiary of Three Rivers Holdings, Inc. The overall effect is that Three Rivers Holdings, Inc. will become a direct subsidiary of AmeriChoice Corporation and an indirect subsidiary of UnitedHealth Group Inc. and Unison will continue to be a subsidiary of Three Rivers Holdings, Inc.

4. The Applicant proposes to acquire, directly or indirectly, all of the issued and outstanding stock of Three Rivers Holdings, Inc. for an aggregate purchase price of approximately \$850 million. This represents the total consideration to be paid by the Applicant pursuant to the terms of the Stock Purchase Agreement. The boards of directors of all interested entities have approved the transaction. Unison will continue its operations in South Carolina.

6. Based upon the materials submitted by the Applicant, none of the conditions provided for under S.C. Code Ann. § 38-21-90(A) exist or apply with respect to the proposed acquisition.

7. The Applicant represented that Unison will continue to comply with all requirements for licensure.

8. The Applicant asserts in the Form A that it has no present plans to liquidate Unison or to sell its assets to any person. The Form A also states that the Applicant does not have any plans to cause Unison to merge or consolidate or transfer any of its assets with any other company. The officers of Unison will be John Blank, CEO; Daniel Gallagher, President; Davis Thomas, Secretary; and Leslie Gelpi, Treasurer. Directors will be John Blank, Susan Berson and Eric Wexler. Unison will maintain its corporate identity and will operate as a South Carolina domestic HMO.

10. The Applicant is financially sound. Consummation of the Agreement will not reduce the security of, or the service to be rendered to, any policyholders of Unison, nor will the financial condition of the Applicant jeopardize the financial stability of Unison or prejudice the interests of its policyholders or the interests of any remaining security holders who are unaffiliated with the Applicant. The Applicant has no plans to declare any extraordinary dividends for Unison.

11. The biographical affidavits provided for the executive officers and directors of the Applicant were included in the Form A. That information indicates that the Applicant's proposed management team has management experience and further indicates that those individuals do not have a history of criminal convictions.

CONCLUSIONS OF LAW

I have considered the statutory requirements for approval of a change of control in accordance with the applicable provisions of the South Carolina Code and make the following conclusions of law:

1. I have jurisdiction over the parties and the subject matter pursuant to the provisions of S.C. Code Ann. §§ 38-21-60, 38-21-70, S.C. Code Ann. Reg. 69-31 and other pertinent provisions of the South Carolina Code;

2. A hearing is not required.

3. Upon completion of the proposed acquisition, Unison will continue to be able to satisfy the requirements for the issuance of a license as required by § 38-21-90 (A) (1).

4. This acquisition will not substantially lessen competition or create a monopoly, which is prohibited by § 38-21-90 (A) (2).

5. The Applicant's financial condition will not jeopardize the financial stability of Unison or prejudice the interest of its policyholders, pursuant to the provisions of § 38-21-90 (A)(3).

6. The transaction is neither unreasonable for policyholders nor contrary to the public interest, pursuant to the provisions of § 38-21-90(A)(4).

7. The Form A indicates that the Applicant will bring some experience and expertise to the transaction. It also appears that the conditions of § 38-21-90(A)(5) will not occur because the experience and integrity of the persons who would control the operation of Unison are such that it would be in the interest of the policyholders of Unison and the public to permit the acquisition.

8. The proposed acquisition is not likely to be hazardous to those buying insurance as prohibited by § 38-21-90(A)(6). Any existing certificates of coverage will continue in force and effect.

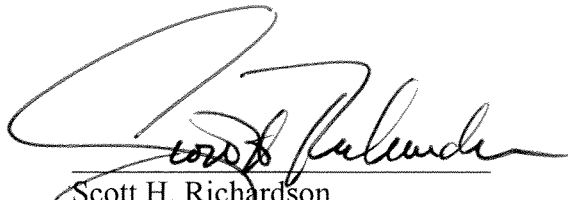
CONCLUSION

In view of the foregoing findings of fact and conclusions of law, the criteria established under S.C. Code Ann. § 38-21-90 (Supp. 2007) for approval of an acquisition of control or merger of a domestic insurer have been met. Accordingly, it is ordered that the Form A application to acquire direct control of Unison is APPROVED subject to the following conditions. The Applicant must:

1. Secure the approval of any other regulatory entities by making any required state and federal filings; and
2. Comply with all applicable provisions of South Carolina law to maintain the domestic licensure of Unison.

All documents submitted in the Application and in response to requests of the Department which have been marked "Trade Secret: Confidential and Exempt" shall be provided confidential treatment pursuant to S.C. Code Ann. §§ 38-21-290 and 30-4-40.

IT IS SO ORDERED.



Scott H. Richardson
Director of Insurance

Columbia, South Carolina

April 28, 2008